

PHEASANTS FOREVER, INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

PHEASANTS FOREVER, INC. AND SUBSIDIARIES
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Pheasants Forever, Inc. and Subsidiaries
St. Paul, Minnesota

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Pheasants Forever, Inc. and Subsidiaries (a non-profit organization), which comprise the consolidated balance sheets as of June 30, 2020 and 2019 and the related consolidated statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Pheasants Forever, Inc. and Subsidiaries as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2020 on our consideration of Pheasants Forever, Inc. and Subsidiaries' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Pheasants Forever, Inc. and Subsidiaries' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pheasants Forever, Inc. and Subsidiaries' internal control over financial reporting and compliance.

Handwritten signature in cursive script that reads "Boyum & Barescheer PLLP".

Boyum & Barescheer PLLP

Minneapolis, Minnesota
December 4, 2020

PHEASANTS FOREVER, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2020 AND 2019

ASSETS	<u>2020</u>	<u>2019</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 15,038,391	\$ 10,005,987
Investments - Short-term	7,691,804	11,167,355
Accounts Receivable (Net)	8,467,129	8,393,274
Pledges Receivable (Net)	1,117,926	740,136
Inventories	1,182,517	2,152,380
Land Held for Resale & Conservation	3,141,510	1,121,532
Prepaid Expenses	1,409,741	750,557
Total Current Assets	<u>38,049,018</u>	<u>34,331,221</u>
PROPERTY AND EQUIPMENT	6,422,347	6,059,071
Less: Accumulated Depreciation	4,150,535	3,858,777
Total Property and Equipment	<u>2,271,812</u>	<u>2,200,294</u>
OTHER ASSETS		
Investments - Endowments	2,687,216	2,710,159
Land Held for Resale & Conservation	5,741,831	5,329,830
Pledges Receivable - Long-Term	1,116,282	758,222
Beneficial Interest in Trusts	1,111,429	1,100,790
Cash Surrender Value of Life Insurance	732,727	634,912
Total Other Assets	<u>11,389,485</u>	<u>10,533,913</u>
Total Assets	<u><u>\$ 51,710,315</u></u>	<u><u>\$ 47,065,428</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 3,839,723	\$ 3,682,575
Accrued Employee Benefits, Withholdings and Other Liabilities	2,004,188	1,409,807
Current Maturities of Long Term Debt	1,888,106	8,378
Land Purchase Installment Payable	-	513,778
Grant Advances	5,041,279	3,895,031
Deferred Revenues	249,406	521,636
Liability Under Annuity Agreement	18,447	18,303
Line of Credit	-	4,475
Total Current Liabilities	<u>13,041,149</u>	<u>10,053,983</u>
LONG-TERM LIABILITIES		
Liability Under Annuity Agreement	134,358	152,805
Long-Term Debt, Net of Current Maturities	2,305,934	10,472
Total Long-Term Liabilities	<u>2,440,292</u>	<u>163,277</u>
Total Liabilities	15,481,441	10,217,260
NET ASSETS		
Without Donor Restrictions	26,010,533	27,671,581
With Donor Restrictions	10,218,341	9,176,587
Total Net Assets	<u>36,228,874</u>	<u>36,848,168</u>
Total Liabilities and Net Assets	<u><u>\$ 51,710,315</u></u>	<u><u>\$ 47,065,428</u></u>

See accompanying Notes to Consolidated Financial Statements.

PHEASANTS FOREVER, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Support:			
Contributions (Including In-Kind Contributions)	\$ 17,374,035	\$ 2,251,169	\$ 19,625,204
Government Program Grants	42,055,494	-	42,055,494
Banquet and Event Revenues	18,487,110	-	18,487,110
Costs of Direct Benefit to Donors	<u>(12,553,295)</u>	<u>-</u>	<u>(12,553,295)</u>
Net Support from Banquets and Events	5,933,815	-	5,933,815
Membership Dues	<u>5,530,622</u>	<u>-</u>	<u>5,530,622</u>
Total Support	70,893,966	2,251,169	73,145,135
Revenue:			
Sales of Merchandise	568,111	-	568,111
Cost of Merchandise Sold	<u>(367,022)</u>	<u>-</u>	<u>(367,022)</u>
Gross Profit on Merchandise Sales	201,089	-	201,089
Program Service Revenue	5,008,865	-	5,008,865
Advertising Revenues	1,230,823	-	1,230,823
Investment Income	126,349	(92,029)	34,320
Other Income	<u>304,174</u>	<u>-</u>	<u>304,174</u>
Total Revenue	6,871,300	(92,029)	6,779,271
Net Assets Released from Restrictions			
Satisfaction of program restrictions	569,604	(569,604)	-
Collection of Pledges	505,741	(505,741)	-
Release for Endowment Spending Policy	42,041	(42,041)	-
Total net assets released from restrictions	<u>1,117,386</u>	<u>(1,117,386)</u>	<u>-</u>
Total Support and Revenues	78,882,652	1,041,754	79,924,406
EXPENSES			
Program Services:			
Habitat Projects	60,423,941	-	60,423,941
Public Awareness and Education	6,356,746	-	6,356,746
Field Operations	2,356,966	-	2,356,966
Membership and Chapter Services	<u>1,408,941</u>	<u>-</u>	<u>1,408,941</u>
Total Program Services	70,546,594	-	70,546,594
Supporting Services:			
Administrative Expenses	2,555,545	-	2,555,545
Fundraising Expenses	<u>7,441,561</u>	<u>-</u>	<u>7,441,561</u>
Total Supporting Services	9,997,106	-	9,997,106
Total Expenses	<u>80,543,700</u>	<u>-</u>	<u>80,543,700</u>
CHANGES IN TOTAL NET ASSETS	(1,661,048)	1,041,754	(619,294)
Net Assets - Beginning of the Year	<u>27,671,581</u>	<u>9,176,587</u>	<u>36,848,168</u>
NET ASSETS - END OF YEAR	<u>\$ 26,010,533</u>	<u>\$ 10,218,341</u>	<u>\$ 36,228,874</u>

See accompanying Notes to Consolidated Financial Statements.

PHEASANTS FOREVER, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Support:			
Contributions (Including In-Kind Contributions)	\$ 21,063,672	\$ 1,907,972	\$ 22,971,644
Government Program Grants	33,227,656	-	33,227,656
Banquet and Event Revenues	23,182,978	-	23,182,978
Costs of Direct Benefit to Donors	(15,153,294)	-	(15,153,294)
Net Support from Banquets and Events	8,029,684	-	8,029,684
Membership Dues	5,248,733	-	5,248,733
Total Support	67,569,745	1,907,972	69,477,717
Revenue:			
Sales of Merchandise	529,051	-	529,051
Cost of Merchandise Sold	(310,380)	-	(310,380)
Gross Profit on Merchandise Sales	218,671	-	218,671
Program Service Revenue	6,419,225	-	6,419,225
Advertising Revenues	1,150,730	-	1,150,730
Investment Income	397,514	68,035	465,549
Other Income	382,662	-	382,662
Total Revenue	8,568,802	68,035	8,636,837
Net Assets Released from Restrictions			
Satisfaction of program restrictions	633,992	(633,992)	-
Collection of Pledges	436,637	(436,637)	-
Release for Endowment Spending Policy	41,939	(41,939)	-
Total net assets released from restrictions	1,112,568	(1,112,568)	-
Total Support and Revenues	77,251,115	863,439	78,114,554
EXPENSES			
Program Services:			
Habitat Projects	55,309,328	-	55,309,328
Public Awareness and Education	7,306,078	-	7,306,078
Field Operations	2,303,455	-	2,303,455
Membership and Chapter Services	1,243,043	-	1,243,043
Total Program Services	66,161,904	-	66,161,904
Supporting Services:			
Administrative Expenses	2,396,842	-	2,396,842
Fundraising Expenses	7,636,185	-	7,636,185
Total Supporting Services	10,033,027	-	10,033,027
Total Expenses	76,194,931	-	76,194,931
CHANGES IN TOTAL NET ASSETS	1,056,184	863,439	1,919,623
Net Assets - Beginning of the Year	26,615,397	8,313,148	34,928,545
NET ASSETS - END OF YEAR	\$ 27,671,581	\$ 9,176,587	\$ 36,848,168

See accompanying Notes to Consolidated Financial Statements.

PHEASANTS FOREVER, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	\$ (619,294)	\$ 1,919,623
Adjustments to Reconcile Changes in Net Assets to Net Cash (Used) Provided by Operating Activities:		
Value of Donated Land	(422,000)	(240,000)
Value of Donated Charitable Remainder Trust	-	(33,700)
(Gain) loss on revaluation of land	13,779	-
Depreciation	291,954	199,216
Net Realized and Unrealized Loss (Gain) on Investments	198,194	(130,081)
Accrued Interest on PPP Loan Not Paid	9,265	-
Change in Valuation of Annuity Obligations	6,844	11,013
Change in Valuation of Beneficial Interest in Trusts	(10,639)	27,510
Change in Valuation of Life Insurance	(97,815)	(88,187)
Contributions Restricted for Long-Term Investment	-	(2,500)
Change in Current Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(73,855)	493,390
(Increase) Decrease in Inventories	969,863	(53,423)
Increase in Pledges Receivable	(735,850)	(814,768)
(Increase) Decrease in Prepaid Expenses	(659,184)	168,230
Increase (Decrease) in Accounts Payable	157,148	(1,709,536)
Increase (Decrease) in Accrued Employee Benefits, Withholdings and Other Liabilities	594,381	(215,666)
Increase in Grant Advances	1,146,248	223,386
Increase (Decrease) in Deferred Revenues	(272,230)	184,473
Increase (Decrease) in Purchase Installment Payable	(513,778)	513,778
Net Cash Provided (Used) by Operating Activities	(16,969)	452,758
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of Property and Equipment	(363,276)	(868,825)
Acquisition of Land Held for Resale	(2,023,758)	(1,098,531)
Proceeds from Sale of Land Held for Resale	-	272,000
Purchase of Investments	(2,852,948)	(2,524,536)
Proceeds from Sale of Investments	6,153,053	3,147,064
Net Cash Provided (Used) by Investing Activities	913,071	(1,072,828)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net (Payments) Borrowings on Notes Payable	4,165,924	(8,378)
Net (Payments) Borrowings on Bank Line of Credit	(4,475)	(119,813)
Contributions Restricted for Long-Term Investment	-	2,500
Payment on Annuity Obligation	(25,147)	(25,147)
Net Cash Provided (Used) by Financing Activities	4,136,302	(150,838)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,032,404	(770,908)
Cash and Cash Equivalents - Beginning of Year	10,005,987	10,776,895
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 15,038,392	\$ 10,005,987
NON-CASH TRANSACTIONS		
Cash Paid for Interest	\$ 2,072	\$ 34,621

See accompanying Notes to Consolidated Financial Statements.

PHEASANTS FOREVER, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020

	Program Services				Supporting Services			
	Habitat Projects	Public Awareness and Education	Field Operations	Membership and Chapter Services	Total Program Services	Administrative Expenses	Fundraising Expenses	Total Expenses
Woody Cover/Shelter Belts	\$ 430,822	\$ -	\$ -	\$ -	\$ 430,822	\$ -	\$ -	\$ 430,822
Nesting Cover	12,254,477	-	-	-	12,254,477	-	-	12,254,477
Food Plots/Feeding	11,197,942	-	-	-	11,197,942	-	-	11,197,942
Land Procurement	18,255,653	-	-	-	18,255,653	-	-	18,255,653
Wetland Restoration	1,516,457	-	-	-	1,516,457	-	-	1,516,457
Equipment for Habitat	667,139	-	-	-	667,139	-	-	667,139
Other Habitat Projects	688,425	-	-	-	688,425	-	-	688,425
Youth Programs	17,461	2,074,360	-	-	2,091,821	-	-	2,091,821
Publications	-	769,361	-	-	769,361	-	-	769,361
Other Public Awareness and Education	-	637,785	-	-	637,785	-	-	637,785
Chapter Advertising and Promotion	-	-	-	-	-	-	623,182	623,182
Salaries and Wages	10,888,566	1,824,652	1,712,453	509,025	14,934,696	1,593,033	3,115,211	19,642,940
Payroll Tax Expense	764,285	119,743	148,946	36,731	1,069,705	108,009	222,501	1,400,215
Employee Benefits	1,011,704	108,949	136,815	39,236	1,296,704	91,650	227,638	1,615,992
Retirement Plan	475,345	171,247	82,806	23,706	753,104	111,340	166,153	1,030,597
Legal Fees	-	-	-	-	-	12,743	-	12,743
Consulting and Audit Fees	713	-	-	74,397	75,110	192,154	51,296	318,560
State Registration Fees	-	-	-	9,529	9,529	1,216	-	10,745
Insurance	196,463	111,955	18,794	88,963	416,175	51,994	60,507	528,676
Government Relations	-	208,857	-	-	208,857	-	-	208,857
Direct Mail Expenses	-	-	-	-	-	-	984,412	984,412
Printing and Supplies	252,477	55,032	42,309	130,881	480,699	114,197	419,942	1,014,838
Shipping and Postage	5,688	4,942	4,707	357,962	373,299	24,158	363,561	761,018
Occupancy	-	9,749	(275)	3,715	13,189	7,763	29,550	50,502
Telephone	25,954	11,867	17,250	5,958	61,029	19,716	32,280	113,025
Travel Expense	907,892	98,184	172,932	2,538	1,181,546	34,593	651,122	1,867,261
Meetings and Conferences	34,164	2,030	4,305	178	40,677	31,307	5,559	77,543
Depreciation	59,028	74,677	5,408	42,943	182,056	32,299	77,599	291,954
Equipment Rental and Maintenance	560,598	5,626	239	3,223	569,686	61,512	27,394	658,592
Interest Expense	54,962	-	-	-	54,962	31,337	-	86,299
Miscellaneous	157,726	67,730	10,277	79,956	315,689	36,524	383,654	735,867
Direct Benefit to Donors	-	-	-	-	-	-	12,553,295	12,553,295
Cost of Merchandise Sold	-	-	-	-	-	-	367,022	367,022
Total Expenses	\$ 60,423,941	\$ 6,356,746	\$ 2,356,966	\$ 1,408,941	\$ 70,546,594	\$ 2,555,545	\$ 20,361,878	\$ 93,464,018
Less Direct Benefit to Donors	-	-	-	-	-	-	(12,553,295)	(12,553,295)
Less Cost of Merchandise Sold	-	-	-	-	-	-	(367,022)	(367,022)
Total Net Expenses	\$ 60,423,941	\$ 6,356,746	\$ 2,356,966	\$ 1,408,941	\$ 70,546,594	\$ 2,555,545	\$ 7,441,561	\$ 80,543,701
	<u>75.02%</u>	<u>7.89%</u>	<u>2.93%</u>	<u>1.75%</u>	<u>87.59%</u>	<u>3.17%</u>	<u>9.24%</u>	<u>100.00%</u>

See accompanying Notes to Consolidated Financial Statements.

PHEASANTS FOREVER, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019

	Program Services				Supporting Services			
	Habitat Projects	Public Awareness and Education	Field Operations	Membership and Chapter Services	Total Program Services	Administrative Expenses	Fundraising Expenses	Total Expenses
Woody Cover/Shelter Belts	\$ 403,977	\$ -	\$ -	\$ -	\$ 403,977	\$ -	\$ -	\$ 403,977
Nesting Cover	13,835,658	-	-	-	13,835,658	-	-	13,835,658
Food Plots/Feeding	13,813,206	-	-	-	13,813,206	-	-	13,813,206
Land Procurement	11,442,668	-	-	-	11,442,668	-	-	11,442,668
Wetland Restoration	269,231	-	-	-	269,231	-	-	269,231
Equipment for Habitat	778,915	-	-	-	778,915	-	-	778,915
Other Habitat Projects	1,356,612	-	-	-	1,356,612	-	-	1,356,612
Youth Programs	298	2,853,974	-	-	2,854,272	-	-	2,854,272
Publications	-	714,992	-	-	714,992	-	-	714,992
Other Public Awareness and Education	-	943,106	-	-	943,106	-	-	943,106
Chapter Advertising and Promotion	-	-	-	-	-	-	1,207,759	1,207,759
Salaries and Wages	9,404,729	1,758,874	1,567,902	432,255	13,163,760	1,485,246	2,909,912	17,558,918
Payroll Tax Expense	671,750	122,998	138,051	30,985	963,784	101,290	203,977	1,269,051
Employee Benefits	775,454	85,856	98,965	23,098	983,373	2,264	161,786	1,147,422
Retirement Plan	403,592	105,039	75,770	18,832	603,233	96,365	147,763	847,361
Legal Fees	-	-	-	-	-	15,931	1,242	17,173
Consulting and Audit Fees	-	-	-	1,052	1,052	181,004	121,293	303,349
State Registration Fees	-	-	-	9,873	9,873	1,813	-	11,686
Insurance	189,828	98,181	14,401	88,200	390,610	25,685	65,868	482,163
Government Relations	-	260,105	-	-	260,105	-	-	260,105
Direct Mail Expenses	-	-	-	-	-	-	1,055,501	1,055,501
Printing and Supplies	150,639	55,255	52,268	222,218	480,379	96,940	331,096	908,416
Shipping and Postage	4,898	4,955	5,077	297,321	312,251	19,316	317,670	649,237
Occupancy	-	17,240	740	4,294	22,274	9,399	30,123	61,796
Telephone	21,771	13,168	18,544	5,907	59,390	17,122	31,994	108,506
Travel Expense	907,052	125,317	300,956	2,165	1,335,490	44,075	615,661	1,995,226
Meetings and Conferences	132,225	12,051	10,495	-	154,771	138,251	21,146	314,168
Depreciation	55,295	64,838	4,515	8,406	133,054	29,748	36,414	199,216
Equipment Rental and Maintenance	533,975	8,021	1,448	8,851	552,295	53,198	39,226	644,719
Interest Expense	-	-	-	-	-	34,786	-	34,786
Miscellaneous	157,553	62,109	14,323	89,586	323,572	44,409	337,754	705,735
Direct Benefit to Donors	-	-	-	-	-	-	15,153,294	15,153,294
Cost of Merchandise Sold	-	-	-	-	-	-	310,380	310,380
Total Expenses	\$ 55,309,328	\$ 7,306,078	\$ 2,303,455	\$ 1,243,043	\$ 66,161,904	\$ 2,396,842	\$ 23,099,859	\$ 91,658,605
Less Direct Benefit to Donors	-	-	-	-	-	-	(15,153,294)	(15,153,294)
Less Cost of Merchandise Sold	-	-	-	-	-	-	(310,380)	(310,380)
Total Net Expenses	\$ 55,309,328	\$ 7,306,078	\$ 2,303,455	\$ 1,243,043	\$ 66,161,904	\$ 2,396,842	\$ 7,636,185	\$ 76,194,931
	<u>72.59%</u>	<u>9.59%</u>	<u>3.02%</u>	<u>1.63%</u>	<u>86.83%</u>	<u>3.15%</u>	<u>10.02%</u>	<u>100.00%</u>

See accompanying Notes to Consolidated Financial Statements.

PHEASANTS FOREVER, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Pheasants Forever, Inc. (the Organization) is a nonprofit organization which incorporated under the laws of the State of Minnesota in August 1982. The mission of the Organization is to conserve and enhance habitat for pheasants, quail, and other wildlife through habitat initiatives, land management policies and programs, and conservation education.

Consolidation

The Organization has two single member limited liabilities companies in which certain business activities are conducted. The activities of these single member limited liabilities companies, Habitat Forever, LLC and The Forever Land Trust, LLC, have been consolidated into these statements, and all material financial transactions among the entities have been eliminated.

Financial Statement Presentation

The Organization follows the guidance provided in the Financial Accounting Standards Board (FASB) Accounting Standards Codification for Not-for-Profit Entities. In accordance with those standards, net assets and revenues, gains, and losses are classified based on donor imposed restrictions. Contributions with donor restrictions received during the year, whose restrictions are released during the same year, are recorded as a change in net assets without donor restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Those resources over which the board of directors has discretionary control. Board designated amounts represent those revenues which the board has set aside for a particular purpose. At June 30, 2020 and 2019 the board designated net assets as operating reserves in the amounts \$1,871,625 and \$1,766,256, respectively. The Organization also had net assets without donor restrictions designated as endowments in the amounts of \$712,206 and \$792,455 for the Forever Shooting Sports Program and \$571,657 and \$398,238 for the Forever Stewardship Fund at June 30, 2020 and 2019, respectively.

Net Assets With Donor Restrictions – Consists of endowment gifts where donors have specified investment in perpetuity to generate income for a specified restricted or general purpose, and contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Organization, such as usage for specific programs. The donors of the net assets with donor restrictions to be held in perpetuity have permitted the Organization to use all or part of the income earned, including capital appreciation. At June 30, 2020 and 2019, net assets with donor restrictions consisted of time-restricted pledges receivable, purpose-restricted contributions and permanently endowed assets.

PHEASANTS FOREVER, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued Accounting Pronouncements

In June 2020, FASB issued ASU No. 2020-05. This update allows Organizations to defer for one year the effective date of ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606). These standards provide guidance for accounting for revenue from contracts with customers. The guidance outlines a single comprehensive model for companies to use in accounting for revenue from contracts with customers. For private companies, the ASU is now effective for annual and interim periods beginning after December 15, 2019 with early adoption permitted. The Organization has elected to defer the adoption of the guidance and is currently evaluating the impact that the adoption of this guidance will have on the Organization's consolidated financial statements.

In February 2016, FASB issued ASU No. 2016-02, Leases (Topic 842), which provides guidance for accounting for leases. The new guidance requires companies to recognize the assets and liabilities for the rights and obligations created by leased assets, initially measured at the present value of the leased payments. The accounting guidance for lessors is largely unchanged. For private companies, the Financial Accounting Standards Board (FASB) elected to delay the ASU's effective date for one year, resulting in an effective date for the annual and interim periods beginning after December 15, 2021 with early adoption permitted. It is to be adopted using a modified retrospective approach. The Organization is currently evaluating the impact that the adoption of this guidance will have on the Organization's financial statements.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposit accounts, savings accounts and certificates of deposit with an original maturity of three months or less. Each chapter maintains these accounts at financial institutions in their local area unless they have combined the amounts in a cash management pool with other chapters. The national office maintains its demand deposit accounts, savings accounts and certificates of deposit at primarily one financial institution. At times, such investments may be in excess of FDIC insurance limits.

For purposes of the consolidated statements of cash flows, the Organization considers all highly liquid debt instruments purchased with an original maturity date of three months or less to be cash and cash equivalents.

Investments

Investments are recorded at fair market value. Interest, dividends, realized and unrealized gains and losses, and investment fees are included in investment income.

PHEASANTS FOREVER, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivable are stated at net realizable value. All accounts receivable are due on demand. The Organization accounts for uncollectible accounts by use of the reserve method. Receivables are assessed individually for collectability based on the surrounding facts and circumstances and management's past history. When all collection efforts have been exhausted, accounts are written off. The allowance for uncollectible accounts was \$93,905 and \$33,853 at June 30, 2020 and 2019, respectively.

Receivables from agencies of the United States government accounted for 42% and 36% of the total accounts receivable balances as of June 30, 2020 and 2019, respectively. Receivables from the States of Minnesota and Nebraska accounted for 21% and 6% of the total, respectively, as of June 30, 2020 and 16% and 8% of the total receivables as of June 30, 2019.

Pledges Receivable

Pledges to give that are expected to be collected within one year are recorded at their net realizable value. Pledges that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. The discounts on those amounts are computed using an imputed interest rate applicable to the year in which the pledge is received.

The allowance for uncollectible pledges was \$499,301 and \$44,147 at June 30, 2020 and 2019, respectively. Conditional pledges are not included as support until such times as the conditions are substantially met.

Inventories

Inventories are valued at the lower of cost or market. Cost is determined using the first-in, first-out (FIFO) method. Inventory consists of apparel, prints, firearms, other items used for chapter fundraising and educational materials.

Cash Surrender Value of Life Insurance

The Organization is the owner and beneficiary of several life insurance policies that have been received as gifts from donors. At June 30, 2020 and 2019, the cash surrender value of those policies was \$282,604 and \$232,604, respectively. In 2013, the Organization purchased life insurance policies on key members of management as part of a split-dollar life insurance program. At June 30, 2020 and 2019, the cash surrender value of those policies was \$450,123 and \$402,308, respectively.

Property and Equipment

Property and equipment are generally carried at cost less accumulated depreciation. Depreciation is computed using the straight-line method. Habitat equipment purchased by local chapters is charged to expense at the time of purchase, as this equipment is either donated to local government agencies or made widely available for use by individuals at minimal or no charge.

PHEASANTS FOREVER, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Land Held for Resale and Conservation

Periodically the Organization acquires land either by purchase or donation. The land is recorded at fair market value and land expected to be sold within one year is recorded as a current asset. At June 30, 2020 and 2019, the Organization held title to land with a value of \$8,883,341 and \$6,451,362, respectively. Of those amounts, \$3,141,510 and \$1,121,532 were recorded as short term as of June 30, 2020 and 2019, respectively.

Fair Value Measurement

The Organization categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to the quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement.

Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the assets and liabilities, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are observable inputs for the asset or liability, which are typically based on the Organization's own assumptions, as there is little, if any, related market activity.

Subsequent to initial recognition, the Organization may re-measure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying value to their fair value.

PHEASANTS FOREVER, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Effective July 1, 2019, the Organization has adopted Accounting Standards Update (ASU) No. 2018-08 Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958) which is intended to improve the usefulness and understandability of the Organization's financial reporting. The new ASU provides guidance on determining whether a transaction should be accounted for as a contribution or as an exchange transaction. A primary aspect of this guidance is the determination on whether two parties receive and sacrifice commensurate value to distinguish which guidance should be applied. FASB 958-605, Not-for-Profit Entities – Revenue Recognition should be followed for contributions while FASB 606, Revenue from Contract with Customers, should be followed for exchange transactions. Since the Organization is using the optional one-year deferral of FASB 606, previous guidance for exchange transactions is followed.

The adoption of this new guidance was done using the modified prospective method for contributions received. Guidance for contributions made are applicable for periods beginning after December 15, 2019.

The adoption of this new standard did not result in a material impact to the Organization's financial statements. There was no significant effect on the financial statements related to the adoption of this new standard which would require a cumulative effect adjustment to net assets at the date of adoption under the modified prospective method.

Contribution and non-government grant revenue:

Contributions and non-government grants are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions and grants that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restriction.

The Organization's promises to give outstanding as of June 30, 2020 and 2019 are presented as Pledges Receivable, both current and long-term, in the consolidated balance sheet. The Organization has also received conditional contributions related to non-government grants and pledges of \$916,667, including grant advances, that have not been recognized at June 30, 2020 because qualifying expenditures have not yet been incurred.

PHEASANTS FOREVER, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Government Grants:

Government grant revenue is derived from cost-reimbursable contracts and grants, primarily from the United States Department of Interior and Agriculture as well as various States. These grants are conditional upon performance requirements and/or the incurrence of allowable qualifying expenses. The Organization has made the determination, based on the review of the Organization's grant portfolio, that nearly all of the government grants are nonreciprocal transactions in which the two parties do not receive commensurate value. As such, these grants will be treated as conditional contributions under the new ASU. Revenue will be recognized as donor restricted revenue once the conditions are met, subject to the scope of work within the grant. These restrictions are simultaneously released from restriction as the revenue is recognized and is reported as an increase in net assets without donor restrictions. Expenditures under Government grants are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowed under these grants, the Organization will record such disallowances at the time the final assessment is made.

Amounts received prior to incurring qualifying expenditures are reported as grant advances in the balance sheet. As eligible expenditures are incurred, revenue is recognized.

The Organization has received conditional contributions related to government grants of \$78,213,658, including grant advances, that have not been recognized at June 30, 2020 because qualifying expenditures have not yet been incurred.

Banquet and Event Revenue:

One of the Organization's principal revenue sources are banquets and events sponsored by the local chapters. Contributions received and pledges as a result of the event follow the revenue recognition as noted above in contribution revenue. Earned revenue is recognized at the time the event occurs.

Membership Dues:

Membership dues are treated as contributions, as tangible benefits to members are nominal.

Contributed Goods and Services:

Donated goods and services are valued at their fair market value and are presented as revenue and offsetting program costs or land held for resale and conservation. Contributions of services are recognized for services that create or enhance nonfinancial assets, require specialized skills and are provided by individuals possessing those skills, and would have to be purchased if not provided by donation. Contributed services and promises to give services that do not meet these criteria are not recognized. The Organization receives a substantial amount of services donated by volunteers which do not meet the above criteria for recognition in the financial statements.

PHEASANTS FOREVER, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Deferred Revenues:

The Organization records deferred revenues related to future events and unearned contract revenue. Sponsorship revenues received for events are recognized when the event occurs.

Conservation Easements

A conservation easement is a voluntary, legally enforceable agreement between a landowner and another entity in which the landowner gives up certain rights to use or modify their land subject to the terms of the easement. The entity agrees to monitor and enforce conditions within the agreement throughout the life of the easement (usually in perpetuity). In certain cases, the Organization acquires, or accepts as a donation, easements that provide conservation benefits consistent with the Organization's mission. Conservation easements that are purchased are recorded as program expense in the year acquired. Contributed easements are recorded as contribution income and program expense based on appraisal or other estimates of value. At June 30, 2020, the Organization held 14 conservation easements covering a total of 7,414 acres and at June 30, 2019, the Organization held 12 conservation easements covering 7,113 acres.

Advertising Costs

Advertising costs are charged to expense when the advertising first occurs.

Functional Allocation of Expense

The costs of providing the various programs and other activities of the Organization have been summarized on a functional basis in the statement of activities and statement of functional expenses. Salaries and related expenses are allocated to program and supporting services based on actual time spent by employees. Expenses, other than salaries and related expenses, which are not directly identifiable by program or supporting service, are allocated based on the best estimates of management.

Estimates and Assumptions

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Canadian Affiliate

The Organization is associated with a separate tax-exempt corporation, Pheasants Forever Canada, Inc. Activities between the two organizations relate primarily to the Canadian members receiving the Organization's magazine.

Reclassifications

Certain reclassifications have been made to the 2019 financial statements to conform with the 2020 financial statement presentation.

PHEASANTS FOREVER, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through December 4, 2020, the date the consolidated financial statements were available to be issued.

NOTE 2 TAX EXEMPT STATUS

The Organization has been granted exempt status relative to federal and state corporate income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state codes. It has been classified as an organization that is not a private foundation. Therefore, charitable contributions are tax deductible. The Organization follows the guidance outlined in the Income Tax Topic of FASB Accounting Standards Codification. The Organization is subject to unrelated business income tax on advertising revenues and merchandise sales.

The Organization projects no income tax liability for the year ended June 30, 2020. The two single member limited liability companies owned by the Organization are disregarded entities for income tax purposes and follow the same tax treatment as the Organization.

NOTE 3 INVESTMENTS

Investments are recorded at fair market value. Investments consist of the following:

	2020	2019
Short-Term Investments:		
Cash & Cash Equivalents - Pending Investment	\$ 153,034	\$ 60,122
Certificates of Deposit	598,143	893,381
Corporate Bonds, Fixed Income & Preferreds	3,120,407	3,073,342
Bond Mutual Funds	3,799,306	7,083,708
Corporate Stock	20,914	56,802
Total Short-Term Investments	\$ 7,691,804	\$ 11,167,355
Endowment Investments:		
Cash & Cash Equivalents - Pending Investment	\$ 67,977	\$ 116,798
Bond Mutual Funds	264,144	244,299
Alternative Investments	238,847	267,009
Corporate Bonds, Fixed Income & Preferreds	25,645	22,179
Corporate Stock	2,090,603	2,059,873
Total Endowment Investments	\$ 2,687,216	\$ 2,710,159

PHEASANTS FOREVER, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	<u>2020</u>	<u>2019</u>	<u>Estimated Useful Lives</u>
Land	\$ 410,000	\$ 410,000	
Building and Improvements	1,127,715	1,035,023	30 Years
Habitat Equipment	1,714,369	1,304,445	5 Years
Office Equipment	3,128,375	2,631,618	3 - 5 Years
Vehicle	41,888	41,888	3 Years
Software Under Development	-	636,097	Not in Service
	<u>\$ 6,422,347</u>	<u>\$ 6,059,071</u>	

NOTE 5 PLEDGES RECEIVABLE

Pledges receivable consists of the following:

	<u>2020</u>	<u>2019</u>
Amounts Due in:		
Less Than One Year	\$ 1,217,926	\$ 784,283
One to Five Years	1,524,561	787,780
Total	<u>2,742,487</u>	<u>1,572,063</u>
Unamortized Discount - 0.29% and 1.83%	(8,978)	(29,558)
Allowance for Uncollectible Accounts	<u>(499,301)</u>	<u>(44,147)</u>
Net Pledge Receivable	2,234,208	1,498,358
Less: Current Portion	1,117,926	740,136
Pledges Receivable - Long-Term	<u>\$ 1,116,282</u>	<u>\$ 758,222</u>

NOTE 6 BENEFICIAL INTEREST IN TRUSTS

During 2008, the Organization was notified that it is the sole beneficiary of an irrevocable trust. The assets held in the trust consist principally of real estate, which is subject to a mortgage. The trust specifies that upon the death of the grantor's son, who serves as the trustee, the trust will terminate, and all of the assets will be transferred to the Organization. The Organization's interest in the trust has been valued at the current value of the real estate, less the outstanding mortgage balance. At June 30, 2020 the estimated value of the real estate was \$1,191,880 and the associated mortgage balance was estimated to be \$193,133. These figures are unchanged from the amounts reported at June 30, 2019.

PHEASANTS FOREVER, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 6 BENEFICIAL INTEREST IN TRUSTS (CONTINUED)

In 2015, the Organization was notified that it is the sole beneficiary of a charitable remainder unitrust. The trust specifies that at the end of the unitrust period of 12 years the Organization will receive the net assets of the trust. During the unitrust period the grantors shall receive an annual payment equal to 17.4% of the fair market value of the unitrust assets determined at the beginning of the year. The assets of the trust consist primarily of investment assets managed by the trustee, Ameriprise National Trust Bank of Minneapolis. The value of the unitrust assets upon creation of the trust on March 31, 2014 was \$629,748. The value of the trust assets as of December 31, 2019, the latest valuation available to the Organization, was \$249,627. The Organization projects that the value of the remaining assets after the unitrust period to be \$93,021. This discounted value as of June 30, 2020 and 2019 was \$78,482 and \$68,343, respectively.

During 2019, the Organization became aware that it is a 10% beneficiary of a charitable remainder trust. The trust assets approximated \$1,160,000 in October 2018 as per the notice the Organization received from the Trust attorney. During their lifetimes the grantors shall receive a distribution annually equal to 5% of the beginning of the calendar year market value of the trust assets. The Organization projects that the value of the remaining assets upon the death of the last surviving grantor to be \$667,751. The Organization's share is projected to be \$66,775, which has a discounted value of \$34,200 as of June 30, 2020. The discounted value was \$33,700 as of June 30, 2019.

NOTE 7 CONTRIBUTED GOODS AND SERVICES

The Organization received in-kind contributions relating to food plots consisting of primarily donated seed and the donated use of land. The fair market value of these items has been recorded in the financial statements as contribution income and food plot expense in the amount of \$10,744,272 and \$13,511,472 for the years ended June 30, 2020 and 2019, respectively.

The Organization periodically receives fee title donations of land as well as partial donations in the form of purchases by the Organization at less than the fair market value of the property. Fee title donations of land have been recorded in the financial statements as contribution income and an increase in land held for resale and conservation in the amount of \$422,000 and \$240,000 for the years ended June 30, 2020 and June 30, 2019, respectively. The value of land donations and bargain purchase donations associated with land purchased at below market value have been recorded as contribution income and land procurement expense in the amount of \$997,970 and \$1,026,660 for the years ended June 30, 2020 and 2019, respectively.

PHEASANTS FOREVER, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 8 LINE OF CREDIT

The Organization maintains a \$2,500,000 revolving line of credit agreement with Wells Fargo Bank, which expires on February 5, 2021. The current agreement specifies an interest rate on outstanding balances equal to 0.75% below the index rate, defined as the lender's Prime Rate. The rate on outstanding borrowings at June 30, 2020 and 2019 was 4.00% and 4.75%, respectively. There was no outstanding balance at June 30, 2020. The outstanding balance at June 30, 2019 was \$4,475.

NOTE 9 LONG-TERM DEBT

Long-term debt consists of the following:

<u>Description</u>	<u>2020</u>	<u>2019</u>
Note Payable - Wells Fargo Equipment Finance, Inc; 60 equal monthly payments of principal and interest beginning October 2016 and continuing through September 2021. There is no stated rate of interest. Secured by vehicle.	\$ 9,774	\$ 18,850
Note Payable - First Independent Bank; Paycheck Protection Program - 1% Note Dated April 10, 2020. Matures April 5, 2022. The Organizations expects full forgiveness of the PPP loan.	4,184,266	-
	<u>4,194,040</u>	<u>18,850</u>
Less: Current Maturities of Long-Term Debt	1,888,106	8,378
Long-Term Debt, Net of Current Maturities	<u>\$ 2,305,934</u>	<u>\$ 10,472</u>

Scheduled Maturities on long-term debt are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	<u>\$ 2,305,934</u>

PHEASANTS FOREVER, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 10 FAIR VALUE MEASUREMENT

The Organization uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Organization measures fair value refer to Note 1 – Nature of Activities and Significant Accounting Policies.

The fair value hierarchy for assets and liabilities measured at fair value on a recurring basis at June 30, 2020 and 2019 consist of the following:

	2020			Total
	Level 1	Level 2	Level 3	
Corporate Bonds & Fixed Income	\$ 3,146,052	\$ -	\$ -	\$ 3,146,052
Brokered CDs	-	-	-	-
Bond Mutual Funds	4,063,450	-	-	4,063,450
Alternative Investments	238,847	-	-	238,847
Stocks	2,111,517	-	-	2,111,517
Beneficial Interest in Trusts	-	-	1,111,429	1,111,429
Total	<u>\$ 9,559,866</u>	<u>\$ -</u>	<u>\$ 1,111,429</u>	<u>\$ 10,671,295</u>

	2019			Total
	Level 1	Level 2	Level 3	
Corporate Bonds & Fixed Income	\$ 3,005,663	\$ 89,860	\$ -	\$ 3,095,523
Brokered CDs	-	300,840	-	300,840
Bond Mutual Funds	7,328,007	-	-	7,328,007
Equity Mutual Funds	267,009	-	-	267,009
Stocks	2,116,675	-	-	2,116,675
Beneficial Interest in Trust	-	-	1,100,790	1,100,790
Total	<u>\$ 12,717,354</u>	<u>\$ 390,700</u>	<u>\$ 1,100,790</u>	<u>\$ 14,208,844</u>

Directly invested bank CDs are not subject to fair value measurement disclosures.

Changes in valuation of Level 3 financial instruments are as follows for the years ended June 30:

	2020	2019
Beginning Balance	\$ 1,100,790	\$ 1,094,600
Additional Contributions	-	33,700
Change in Fair Value	10,639	(27,510)
Ending Balance	<u>\$ 1,111,429</u>	<u>\$ 1,100,790</u>

PHEASANTS FOREVER, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 11 NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2020 and 2019, net assets with donor restrictions are available for the following purposes:

	<u>2020</u>	<u>2019</u>
In Perpetuity:		
Habitat Education Program	\$ 68,503	\$ 68,503
Forever Shooting Sports Program	252,260	252,260
Wildlife Conservation Experience	400,000	400,000
Total in Perpetuity	<u>\$ 720,763</u>	<u>\$ 720,763</u>
Restriction for Time:		
Time Restricted Pledges	2,212,926	1,487,888
Restricted Land Donations	3,530,056	3,108,056
Beneficial Interest in Trusts	1,111,429	1,100,790
Restriction for Purpose:		
Youth and Conservation Education Programs	318,005	307,984
Farm Bill Biologist Program	376,797	158,819
Land Acquisition and Other Habitat Projects	1,948,365	2,292,287
Total Restricted by Time or Purpose	<u>9,497,578</u>	<u>8,455,824</u>
Total Net Assets with Donor Restrictions	<u><u>\$ 10,218,341</u></u>	<u><u>\$ 9,176,587</u></u>

Net assets released from restrictions consist of the following:

	<u>2020</u>	<u>2019</u>
Collection of Pledges	\$ 505,741	\$ 436,637
Satisfaction of Program Restrictions	611,645	675,931
Total Net Assets Released from Restrictions	<u><u>\$ 1,117,386</u></u>	<u><u>\$ 1,112,568</u></u>

PHEASANTS FOREVER, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 12 ENDOWMENT AND SIMILAR FUNDS

The Organization's endowments consist of four funds established for a variety of purposes. The Endowments and Similar Funds may include both donor-restricted endowment funds, donor-restricted stewardship funds, as well as funds designated by the board of directors to function as endowments. Net assets associated with endowment funds are classified and reported based on the existence or absence and nature of donor-imposed restrictions.

Interpretation of Relevant Law

In August 2008, the Codification on Endowments of Not-For-Profit Organizations: Net Asset Classification of Funds Subject to the Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Fund was issued. The Codification addresses accounting issues related to guidelines in the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA), which was adopted by the National Conferences of Commissioners on Uniform State Laws in July 2006. The Organization has interpreted UPMIFA as requiring the preservation of the fair value of the original donor-restricted endowment gifts as of the date of the gift absent explicit donor stipulations to the contrary. As a result of this stipulation, the Organization classifies as net assets with donor restrictions to be held in perpetuity (a) the original value of cash gifts donated to the permanent endowment and (b) the discounted value of future gifts promised to the permanent endowment, net of allowances for uncollectible pledges. The remaining portion of donor-restricted endowment funds not classified in net assets with donor restrictions to be held in perpetuity is classified as net assets with donor restrictions (that are not to be held in perpetuity) until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

- The purposes of the Organization and donor-restricted endowment fund
- The duration and preservation of the fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Investment policies
- Other available financial resources

Spending Policy, Objectives and Strategies

The Organization has adopted investment and spending policies for endowment fund cash contributions that attempt to provide a predictable stream of funding to programs, while maintaining purchasing power. The annual distribution is determined annually by the Board of Directors and is expressed as an amount not to exceed 5% of the previous 12 quarterly average investment market values each December 31. All earnings from these funds are reflected as net assets with donor restrictions until appropriated for program expenditures.

PHEASANTS FOREVER, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 12 ENDOWMENT AND SIMILAR FUNDS (CONTINUED)

Endowment and similar fund's net asset composition by fund type at June 30, 2020 and 2019 are as follows:

	2020			
	Without Donor Restrictions	With Donor Restrictions	With Donor Restrictions- Held in Perpetuity	Total
<u>Donor Restricted Endowments and Similar Funds:</u>				
Habitat Education Program	\$ -	\$ 1,012	\$ 68,503	\$ 69,515
Forever Shooting Sports Program	-	14,261	252,260	266,521
Wildlife Conservation Experience	-	24,629	400,000	424,629
Forever Stewardship Fund	-	646,037	-	646,037
Total Donor Restricted	<u>\$ -</u>	<u>\$ 685,939</u>	<u>\$ 720,763</u>	<u>\$ 1,406,702</u>
<u>Designated Endowment and Similar Funds:</u>				
Forever Shooting Sports Program	\$ 712,206	\$ -	\$ -	\$ 712,206
Forever Stewardship Fund	571,657	-	-	571,657
	<u>\$ 1,283,863</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,283,863</u>
	2019			
	Without Donor Restrictions	With Donor Restrictions	With Donor Restrictions- Held in Perpetuity	Total
<u>Donor Restricted Endowments and Similar Funds:</u>				
Habitat Education Program	\$ -	\$ 8,816	\$ 68,503	\$ 77,319
Forever Shooting Sports Program	-	44,291	252,260	296,551
Wildlife Conservation Experience	-	75,950	400,000	475,950
Forever Stewardship Fund	-	672,896	-	672,896
Total Donor Restricted	<u>\$ -</u>	<u>\$ 801,953</u>	<u>\$ 720,763</u>	<u>\$ 1,522,716</u>
<u>Designated Endowment and Similar Funds:</u>				
Forever Shooting Sports Program	\$ 792,455	\$ -	\$ -	\$ 792,455
Forever Stewardship Fund	398,238	-	-	398,238
	<u>\$ 1,190,693</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,190,693</u>

PHEASANTS FOREVER, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 12 ENDOWMENT AND SIMILAR FUNDS (CONTINUED)

Changes in endowment net asset for the years ended June 30, 2020 and 2019 are as follows:

	2020			
	Without Donor Restrictions	With Donor Restrictions	With Donor Restrictions - Held in Perpetuity	Total
	Endowment Net Assets - July 1, 2019	\$ 1,190,692	\$ 801,953	\$ 720,763
Investment Return	(69,379)	(92,029)	-	(161,408)
Contributions & Designations	200,000	18,055	-	218,055
Appropriation of Endowment Assets for Expenditure	(37,450)	(42,041)	-	(79,491)
Endowment Net Assets - June 30, 2020	<u>\$ 1,283,863</u>	<u>\$ 685,938</u>	<u>\$ 720,763</u>	<u>\$ 2,690,565</u>
	2019			
	Without Donor Restrictions	With Donor Restrictions	With Donor Restrictions - Held in Perpetuity	Total
	Endowment Net Assets - July 1, 2018	\$ 1,067,978	\$ 545,037	\$ 718,263
Investment Return	55,668	68,035	-	123,703
Contributions & Designations	100,000	230,820	2,500	333,320
Appropriation of Endowment Assets for Expenditure	(32,954)	(41,939)	-	(74,893)
Endowment Net Assets - June 30, 2019	<u>\$ 1,190,692</u>	<u>\$ 801,953</u>	<u>\$ 720,763</u>	<u>\$ 2,713,409</u>

NOTE 13 LEASES

The Organization leases various equipment and vehicles under operating leases that expire between 2020 and 2023. The following is a schedule of future minimum lease payments due through the terms of these leases:

<u>Year Ending June 30,</u>	Office Equipment	Equipment and Vehicles	Total
2021	\$ 7,308	\$ 213,791	\$ 221,099
2022	7,308	100,361	107,669
2023	2,520	36,859	39,379
Total	<u>\$ 17,136</u>	<u>\$ 351,011</u>	<u>\$ 368,147</u>

Office equipment lease expense was \$7,308 and \$3,451 for the years ended June 30, 2020 and 2019, respectively. Equipment and vehicle lease expense was \$419,356 and \$360,397 in the years ended June 30, 2020 and 2019, respectively.

In 2006 the Organization acquired the land and building which serves as its national headquarters at a cost of \$1,377,625. At June 30, 2020 and 2019, the building had accumulated depreciation of \$435,431 and \$403,177, respectively. The Organization leases a portion of the building to two unrelated tenants.

PHEASANTS FOREVER, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 13 LEASES (CONTINUED)

The Organization leases 56% of the building space to two different tenants. On August 7, 2019 the Organization entered into a new lease agreement for space that was vacant on June 30, 2019. The term of the new lease is 64 months beginning on September 1, 2019 and ending December 31, 2024. On September 1, 2020 the other tenant extended their lease to August 31, 2025. The tenant was also given the option to lease additional space if and when that space becomes available. The lease agreements provide that the lessees are responsible for the base rent, plus their share of real estate taxes, maintenance and insurance. The following is a schedule of the future minimum lease payments (base rent) due to be received through the terms of these leases:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 116,564
2022	123,257
2023	126,036
2024	128,858
2025	101,612
2026	11,999
Total	<u>\$ 608,326</u>

For the years ended June 30, 2020 and 2019, the Organization recorded rental income associated with these leases of \$95,339 and \$120,711, respectively. For the years ended June 30, 2020 and 2019, the Organization had associated expenses related to an allocable portion of real estate taxes and maintenance of \$28,486 and \$27,940, respectively.

NOTE 14 RETIREMENT PLAN

The Organization maintains a qualified retirement plan under IRC Section 401(k). The plan covers all employees that meet the minimum age, job classification, and length of service requirements. Employees can make voluntary contributions to the plan. Vesting is immediate for these employee contributions. The plan also provides for matching contributions and discretionary employer contributions, which are determined annually by the Organization's Board of Directors. These contributions are subject to a vesting schedule. Total employer contributions were \$860,125 and \$717,765 for the years ended June 30, 2020 and 2019, respectively.

NOTE 15 ANNUITY AGREEMENT

The Organization has a charitable gift annuity agreement, which provides for an annual payment to the annuitants for the duration of their lives. An annuity liability has been recorded based on the present value of the future expected payments calculated using a discount rate of 4% and applicable life expectancy tables. A contribution has been recognized for the difference between the fair market value of the assets received and the annuity liability. Annual revaluations of the annuity liability are recorded as changes in unrestricted net assets.

PHEASANTS FOREVER, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 16 LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Financial assets available for general expenditure without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise of the following:

Liquidity and Availability Footnote

	<u>2020</u>	<u>2019</u>
Cash	\$ 15,038,391	\$ 10,005,987
Investments - Short Term	7,691,804	11,167,355
Accounts Receivable	8,467,129	8,393,274
Pledges Receivable	<u>1,117,926</u>	<u>740,136</u>
Total financial assets available	\$ 32,315,250	\$ 30,306,752
Less amounts restricted by donor with purpose restrictions	(2,643,167)	(2,759,089)
Less board designated operating reserve	<u>(1,871,625)</u>	<u>(1,766,256)</u>
Financial assets available to meet cash flow needs for general expenditures within one year	<u>\$ 27,800,458</u>	<u>\$ 25,781,407</u>

The Organization's endowment funds consist of donor restricted endowments and funds designated by the board as restricted. Income from donor restricted endowments is restricted for specific purposes. Donor restricted endowment funds are not available for general expenditures.

The board designated endowment in the amount of \$712,206 is subject to an annual spending rate of 5%. The board designated Forever Stewardship Fund in the amount of \$571,657 is not subject to an annual spending plan. Although the Organization does not intend to spend from these board designated funds, other than amounts approved and appropriated per the spending policy, these amounts could be made available if necessary.

As part of the Organization's liquidity management plan, cash in excess of monthly requirements is invested in short-term investments, including mutual funds, and money market accounts. The Organization also maintains a \$2,500,000 line of credit with a bank that can be drawn upon as needed to manage cash flow needs.

PHEASANTS FOREVER, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 17 UNCERTAINTY

During fiscal year 2020, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. Most industries are experiencing disruption to business operations and the impact of reduced consumer spending. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while management cannot quantify the financial and other impact to the Organization as of December 4, 2020, management believes that a material impact on the Organization's financial position and results of future operations is reasonably possible.

The Organization was able to maintain operations during the state mandated "stay-home" order, moving to a remote work environment. Federal, state and local regulations that imposed limits on social gatherings resulted in the cancellation of more than 250 fundraising events from March 2020 to June 2020, with additional events expected to be adversely impacted in the subsequent year. The Organization continues to deploy alternative fundraising strategies, including virtual fundraising events in an attempt to mitigate the impact of cancelling in-person events. In addition, the Organization obtained a Paycheck Protection Program loan through the Small Business Administration to fund operations through the COVID-19 pandemic in the amount of \$4,175,000 on April 10, 2020. Management intends to pursue full forgiveness of the loan under the PPP rules.



**INDEPENDENT AUDITORS' REPORT ON
SUPPLEMENTARY INFORMATION**

Board of Directors
Pheasants Forever, Inc. and Subsidiaries
St. Paul, Minnesota

We have audited the consolidated financial statements of Pheasants Forever, Inc. and Subsidiaries as of and for the years ended June 30, 2020 and 2019 and our report thereon dated December 4, 2020, which expressed an unmodified opinion on those consolidated financial statements, appears on pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating balance sheet and consolidating schedule of activities, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Boyum & Barenscheer PLLP

Boyum & Barenscheer PLLP

Minneapolis, Minnesota
December 4, 2020

PHEASANTS FOREVER, INC. AND SUBSIDIARIES
CONSOLIDATING BALANCE SHEET - UNAUDITED
JUNE 30, 2020

	Pheasants Forever, Inc.	Habitat Forever, LLC	The Forever Land Trust, LLC	Eliminations	Total
ASSETS					
CURRENT ASSETS					
Cash and Cash Equivalent	\$ 14,816,618	\$ 183,952	\$ 37,821	\$ -	\$ 15,038,391
Investments	8,282,750	-	-	(590,946)	7,691,804
Accounts Receivable (Net)	8,438,133	1,224,109	-	(1,195,113)	8,467,129
Pledges Receivable (Net)	1,117,926	-	-	-	1,117,926
Inventories	1,182,517	-	-	-	1,182,517
Land Held for Resale & Conservation	3,141,510	-	-	-	3,141,510
Prepaid Expenses	1,315,151	94,590	-	-	1,409,741
Total Current Assets	<u>38,294,605</u>	<u>1,502,651</u>	<u>37,821</u>	<u>(1,786,059)</u>	<u>38,049,018</u>
PROPERTY AND EQUIPMENT	4,916,239	1,506,108	-	-	6,422,347
Less: Accumulated Depreciation	<u>2,760,071</u>	<u>1,390,464</u>	<u>-</u>	<u>-</u>	<u>4,150,535</u>
Total Property and Equipment	<u>2,156,168</u>	<u>115,644</u>	<u>-</u>	<u>-</u>	<u>2,271,812</u>
OTHER ASSETS					
Investments - Endowments	2,687,216	-	-	-	2,687,216
Land Held for Resale & Conservation	5,521,144	-	220,687	-	5,741,831
Pledges Receivable - Long Term	1,116,282	-	-	-	1,116,282
Beneficial Interest in Trust	1,111,429	-	-	-	1,111,429
Cash Surrender Value of Life Insurance	732,727	-	-	-	732,727
Total Other Assets	<u>11,168,798</u>	<u>-</u>	<u>220,687</u>	<u>-</u>	<u>11,389,485</u>
Total Assets	<u>\$ 51,619,571</u>	<u>\$ 1,618,295</u>	<u>\$ 258,508</u>	<u>\$ (1,786,059)</u>	<u>\$ 51,710,315</u>
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts Payable	\$ 3,200,427	\$ 1,834,409	\$ -	\$ (1,195,113)	\$ 3,839,723
Accrued Employee Benefits, Withholdings and Other Liabilities	1,890,662	113,526	-	-	2,004,188
Current Maturities of Long-Term Debt	1,888,106	-	-	-	1,888,106
Land Purchase Installment Payable	-	-	-	-	-
Grant Advances	4,593,325	447,954	-	-	5,041,279
Deferred Revenues	249,406	-	-	-	249,406
Liability Under Annuity Agreement	18,447	-	-	-	18,447
Line of Credit	-	-	-	-	-
Total Current Liabilities	<u>11,840,373</u>	<u>2,395,889</u>	<u>-</u>	<u>(1,195,113)</u>	<u>13,041,149</u>
LONG-TERM LIABILITIES					
Liability Under Annuity Agreement	134,358	-	-	-	134,358
Long-Term Debt, Net of Current Maturities	<u>2,305,934</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,305,934</u>
Total Long-Term Liabilities	<u>2,440,292</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,440,292</u>
Total Liabilities	<u>14,280,665</u>	<u>2,395,889</u>	<u>-</u>	<u>(1,195,113)</u>	<u>15,481,441</u>
NET ASSETS					
Without Donor Restrictions	27,120,565	(777,594)	258,508	(590,946)	26,010,533
With Donor Restrictions	<u>10,218,341</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,218,341</u>
Total Net Assets	<u>37,338,906</u>	<u>(777,594)</u>	<u>258,508</u>	<u>(590,946)</u>	<u>36,228,874</u>
Total Liabilities and Net Assets	<u>\$ 51,619,570</u>	<u>\$ 1,618,295</u>	<u>\$ 258,508</u>	<u>\$ (1,786,059)</u>	<u>\$ 51,710,314</u>

PHEASANTS FOREVER, INC. AND SUBSIDIARIES
CONSOLIDATING SCHEDULE OF ACTIVITIES - UNAUDITED
YEAR ENDED JUNE 30, 2020

	Pheasants Forever, Inc.	Habitat Forever, LLC	The Forever Land Trust, LLC	Eliminations	Total
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS					
SUPPORT AND REVENUE					
Support:					
Contributions (Including In-Kind Contributions)	\$ 17,311,593	\$ 62,442	\$ -	\$ -	\$ 17,374,035
Government Program Grants	38,317,744	3,737,750	-	-	42,055,494
Banquet and Event Revenues	18,487,110	-	-	-	18,487,110
Costs of Direct Benefit to Donors	(12,553,295)	-	-	-	(12,553,295)
Net Support from Banquets and Events	5,933,815	-	-	-	5,933,815
Membership Dues	5,530,622	-	-	-	5,530,622
Total Support	67,093,774	3,800,192	-	-	70,893,966
Revenue:					
Sales of Merchandise	568,111	-	-	-	568,111
Cost of Merchandise Sold	(367,022)	-	-	-	(367,022)
Gross Profit on Merchandise Sales	201,089	-	-	-	201,089
Program Service Revenue	4,493,942	618,442	-	(103,519)	5,008,865
Advertising Revenues	1,230,823	-	-	-	1,230,823
Investment Income	126,349	-	-	-	126,349
Other Income	335,132	82,202	-	(113,160)	304,174
Total Revenue	6,387,335	700,644	-	(216,679)	6,871,300
Net Assets Released from Restrictions	1,117,386	-	-	-	1,117,386
Total Support and Revenue	74,598,495	4,500,836	-	(216,679)	78,882,652
EXPENSES					
Program Services	65,651,443	4,998,670	-	(103,519)	70,546,594
Supporting Services:					
Administrative Expenses	2,621,987	46,456	262	(113,160)	2,555,545
Fundraising Expenses	7,441,561	-	-	-	7,441,561
Total Supporting Services	10,063,548	46,456	262	(113,160)	9,997,106
Total Expenses	75,714,991	5,045,126	262	(216,679)	80,543,700
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(1,116,496)	(544,290)	(262)	-	(1,661,048)
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS					
Time and Purpose Restricted Contributions	2,251,169	-	-	-	2,251,169
Investment Income	(92,029)	-	-	-	(92,029)
Net Assets Released from Restrictions	(1,117,386)	-	-	-	(1,117,386)
Changes in Temporarily Restricted Net Assets	1,041,754	-	-	-	1,041,754
CONTRIBUTIONS FROM NET ASSETS WITH DONOR RESTRICTIONS IN PERPETUITY	-	-	-	-	-
CHANGES IN NET ASSETS	(74,742)	(544,290)	(262)	-	(619,294)
Net Assets - Beginning of the Year	37,413,648	(233,304)	258,770	(590,946)	36,848,168
NET ASSETS - END OF YEAR	<u>\$ 37,338,906</u>	<u>\$ (777,594)</u>	<u>\$ 258,508</u>	<u>\$ (590,946)</u>	<u>\$ 36,228,874</u>